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COMMUNITY SERVICE NEWSLETTER is published six times a year by Community Service, Inc. Our purpose is to promote the small community as a basic social institution involving organic units of economic, social and spiritual development.

mondragón worker production cooperatives

by Ana Gutierrez Johnson and William Foote Whyte

The following article consists of excerpts from "The Mondragon System of Worker Production Cooperatives," Industrial and Labor Relations Review (Oct. 1977, Vol. 31, No. 1).

The Mondragón system of industrial production cooperatives in the Basque country of Spain is a major exception to the time-honored belief that production firms organized on a cooperative basis of worker ownership are doomed to a short and precarious existence.

The first firm of the cooperative system of Mondragón was founded in 1956 by five men supported by a larger group of friends; by the end of 1976 the system had grown to 65 firms with 14,665 members. The firms' production ranges widely, from the labor-intensive process of furniture making to the manufacture of sophisticated machine tools and heavy equipment. All those working in the co-op become members after a brief probationary period, with the exception of a few specialists brought in by contract to perform jobs for which there is not sufficient talent within the system.

The industrial cooperative complex was built upon three institutional bases. The first was an educational system that grew out of a two-year technical school originally founded to provide training for the young people so that they could qualify as skilled workers upon entering employment. In succeeding years the school's program was expanded to include instruction up through the college level, leading to engineering degrees, and the student body was expanded from twenty-four in the first year to over a thousand today. While the curriculum concentrates on technical subjects, the school itself is operated in the form of a cooperative.

In the years following the formation of the first industrial firms, the educational system developed two additional supporting institutions. One was Alecoop — a cooperative factory that serves a dual purpose. Students work in the firm five hours a day to earn tuition and living expenses so that they can devote another five hours to their educational program.

Recently the system set up another support—a two million dollar building of offices and research laboratories and shops designed to undertake projects of long-term

importance that cannot be expected to yield short-run benefits to particular firms.

The second institutional basis upon which the co-op of Mondragón was built was the League for Education and Culture, a broad association of parents, teachers, students, and supporters from the community. The league has played the important role of linking the educational system to the co-operative firms and to the community in general. Members of the league have helped to work out legal and political problems with municipalities and with the national government.

The third institution was a credit union, the *Caja Laboral Popular*, which was founded in 1958 to support the expansion of the industrial cooperatives. The Caja has been growing at an accelerating rate: in the eight years up through 1974 membership multiplied twenty-two times and assets thirty-five times. By the end of 1976 membership had reached 206,841.

Individual Leadership for Collective Achievement

Although this system has been built upon the integrated efforts of many people, its origins and main line of development can be traced to Father Jose Maria Arizmendi. It was not Don Jose Maria who first proposed the rule that the ratio between top and bottom pay in a cooperative should not be greater than 3 to 1, but he was influential in maintaining this exceptionally low differential. The first 40 members of the original firm, Ulgor, voted for the 3 to 1 ratio with little debate or recognition that the members were establishing a policy that would bind thousands of future members in scores of firms yet to be created. Since the policy makers aim to equate the weighted average of all rates of pay in the cooperative firm with the weighted average prevailing in comparable firms in private industry, where the ratio may be as high as 15 to 1, the Mondragón formula means that workers entering at the bottom of the scale earn substantially more and that executives toward the top of the scale earn substantially less than their counterparts in private firms.

While others worked out the technical formulas, it was Don Jose Maria who particularly shaped the decision to distribute each member's share in profits or surplus to the accounts members held with the firm rather than paying out these shares in cash. As we shall see, this was a critical decision for organizational growth.



It was also Father Arizmendi who first urged the members to found the *Caja Laboral Popular*. Father Arizmendi continued to argue that cooperative production organizations could not develop to their full potential without capital, that credit would not be available to them under acceptable condition through private banks, and that therefore they must build their own banking system.

The cooperative educational system was first supported by community contributions and small tuition fees paid by students. As the cooperative production firms grew in numbers and in financial strength, they provided increasing support for education. Don Jose Maria argued that it would be a violation of cooperative principles to exclude intellectually qualified students too poor to pay [higher] tuition. Instead he proposed an organizational solution: Alecoop, the cooperative student operated factory.

Although Don Jose Maria never held an executive position, he had influence as a trusted and revered advisor at every stage in the development of the system. He was the chief actor in linking Mondragón to the surrounding social, political, and economic institutions. Few individuals in history have been as socially creative as Don Jose Maria, and yet his creations never depended upon him for survival, development, and expansion. Well before his death in 1976, the leader had achieved the institutionalization of the social system he inspired and guided.

The Economic and Cultural Base

When the outsider first hears of the Mondragón system, he is likely to ask himself, as we did, "How could such a thing happen in Spain?" The fact is that the Basque country, while politically part of Spain, differs considerably from Castille and other southern provinces that have created the image of Spain projected to the outside world. The differences are linguistic, economic, and cultural. Although the Basques also speak Spanish, they have their own language, which is not related to Spanish or to any other Indoeuropean language.

When the Mondragón cooperatives began, the Basque country was one of the few parts of Spain that had a well-developed industrial tradition. There were a number of small and medium-sized metallurgic and manufacturing firms in the area, based in part on natural resources such as iron ore. Population growth and the scarcity of agricultural land had shaped a system of inheritance that displaced many young adult males from the land and into industrial towns. Spain's relative isolation from the rest of the world gave the Basques a comparative advantage in reaching the general Spanish market, which began to grow rapidly in the 1950s.

The Basques also had a comparative advantage for industrial growth in their attitudes toward manual labor. In Castille and Andalusia, for example, to be considered *hidalgo* (meaning illustrious, - "somebody special") one must be above working with his hands. In the Mondragón area, on the other hand, according to native writers

...in order to be considered "hidalgo" it was enough to demonstrate that one was descended from ancestors native to the province, and to dedicate oneself to manual work was not an obstacle, as in other parts of the country, to being *hidalgo*.

In addition to the enterprising spirit and dedication to industrial work on which the Basques pride themselves, there is another very important cultural characteristic, called by the Basques the "associative spirit." We see this spirit in the after-

work promenade in Mondragón (as in other Basque cities). Groups of three to six or eight men or women walk together from bar to bar, taking a few sips of wine at each stop and then moving on. Such groups come together directly from factory or office, and, in the same group we may see men in rough work clothes and others with white collars, ties, and business suits. If we watched day after day, we would see the same men together again and again. Basque social groups last for years. This associative spirit, which cuts across class lines, is supported by their high evaluation of so social equality.

The Management of Growth

The expansion of the production cooperatives has been managed in two ways: through the fission of existing firms and through the creation of new firms by the Caja Laboral Popular. The growth and fission of firms have been made possible by the reinvestment policy of the system. According to the original program, which has been maintained with little variation, at the end of each fiscal year the surplus (profit) of the cooperatives is divided into three parts. A total of 30 percent is set aside for two purposes. Ten to 15 percent goes for social benefit to the community (including support of the educational system), and the remaining 15 to 20 percent is set aside as a reserve fund to be maintained by the cooperative firm. The remaining 70 percent is distributed to the members in proportion to hours worked during the year and rate of pay received. This bonus is not paid in cash to members, however; it is deposited to the account each member holds with the firm. This fund is treated by the firm as debt to the members or bonds on which interest is paid annually.

The prevailing policies regarding distribution of surplus were written into the constitution and bylaws of Ulgor, the first firm. Within the first two years, when Ulgor had only 40 members, two of them proposed that the members' 70 percent be paid out in cash. This proposal was vigorously debated and rejected, primarily in response to the perceived need to strengthen the firm. In effect the members voted

to uphold a policy of deferred personal gratification and accelerated organizational growth. This policy has not been seriously challenged in recent years.

The founders of the system believed that it would be easier to maintain a true cooperative with small organizations than with large ones. Therefore, as a firm reached the point where it developed a new line of production that could provide a basis for a new firm, that new firm was spun off the original firm. Thus Ulgor has given birth to six other firms. To avoid prejudicing the interests of members who shift to the new firm, which cannot be expected to be highly profitable at once, and to maintain economies of scale, the six firms growing out of Ulgor have combined with the original firm to establish a cooperative conglomerate called Ularco. Finance, legal services market research, and personnel functions are centralized within Ularco. The earnings of all the Ularco firms are pooled and the members' 70 percent is paid out according to the same formula regardless of firm membership. The centralization of personnel administration also makes it possible to shift members from one firm to another within Ularco, so as to avoid situations where one firm is laying off members while another firm is expanding.

Once a project is approved, 20 percent of the capital of the new enterprise is put up by the founding group, another 20 percent by the Spanish government through a program that makes loans to any new firm in terms of the number of jobs created, and 60 percent by the Caja. Many private firms fail for lack of working capital. The Caja meets this need for its new firm by covering the deficits during the first two years of its operation. However, the system is built upon the principle of not giving anything away; in addition to the salary of the person making the feasibility study, the 60 percent of the capital provided by the Caja and the sum of the losses incurred during the first two years all are charged as debts of the new firm to the Caja.

The Caja also provides management consulting services, especially to the new firms, helping them to set up the organization, determine the qualifications for the var-

ious positions, establish the system of accounting and the cost control, and so on.

The Mondragón system is exceedingly dynamic, both economically and technologically. Not only has it become the largest producer of refrigerators and stoves in Spain, but it has also been selling approximately 20 percent of its output in international markets.

Social Gains and Social Problems

Up to this point we have demonstrated that Mondragón is exceptional among production cooperatives for its economic and technological dynamism. Has the system produced comparable social satisfactions?

That question cannot be answered in an introductory statement such as ours. Mondragón personnel people have carried out some employee surveys that indicate a good deal less than complete job satisfaction and yet show practically no one indicating any likelihood of leaving his firm.

The meaning of the survey responses can only be evaluated, for our purposes, when we have the opportunities to compare them with responses of workers in comparable private industry employment. The expressed commitment to stay with the firm is supported by the exceedingly low turnover figure of 3 percent per year — and some of the 3 percent is accounted for by young wives dropping out to have children. This low figure is even more impressive if we place it in the context of a labor market in the Basque country that is becoming increasingly tight in recent years, so that members have not lacked alternative opportunities.

Conclusions

The general significance of Mondragón appears to us to be in certain structural policy elements. (1) Mondragón has solved the capital accumulation problem in two principal ways. Since 70 percent of the profits are distributed to the members only by being credited to their accounts, the firm has 85 to 90 percent of profits to reinvest instead of 15 to 20 percent (the reserve fund). In addition, drawing on the *private* saving of its rapidly growing membership, the Caja Laboral Popular

has financed roughly half of the growth of the industrial firms.

This experience suggests that if the founders of an industrial cooperative firm want to survive and maintain a cooperative character, they should establish a policy of retaining member shares of profits in the accounts of the firm rather than paying them out in cash. Such a policy must be established at the outset or not at all, since the members can hardly be persuaded later to give up what they have been receiving as current income.

Since in the United States credit unions would be barred by law from investing in risky new firms, the Caja model may not be immediately transferable. However, a bill to establish a consumers' cooperative bank is currently before Congress, and such support may some day be extended to producers' cooperatives.

(2) The Caja has developed an entrepreneurial and planning organization that has become a major influence in the social and economic development of the Basque region. Instead of being guided by principles of *profit maximization*, the Caja looks upon profits as a *limiting factor*. The firm to be created must be judged to be economically viable, but, beyond that threshold, investment decisions are based upon judgments of the social and economic needs and interests of the people directly involved and in terms of long-range plans for the development of the region.

(3) Mondragón has established a form of ownership that makes it practically impossible for the industrial firms to revert to private ownership. In the United States employee-owned firms have generally been based upon individual stock ownership. Under that form of ownership, the firm can disappear or lose its cooperative character either because it fails or because it is too successful. Success calls for expansion, but the original employee-owners are not anxious to dilute their equity by having the firm issue stock to newly hired workers. In addition, when the firm has been successful over a number of years, retiring employee owners will hold stock valued so high that incoming workers will not

be able to buy into the firm. Or, as recently happened in the case of the Kansas City Star, a private investor may make an offer that the employee-owners feel they cannot afford to refuse.

There are ways of organizing firms on a one-worker-one-vote basis and protecting the continuation of this form even under current US laws. But unless founders of new employee-owned firms have something like the Mondragón model in mind, they are likely to establish ownership in the traditional US style, with potential power directly linked to the number of shares owned. They will thereby be practically guaranteeing the eventual disappearance of the firm as an employee-owned enterprise.

(4) The integration of mutually supporting organizations — from education to banking to research and development to manufacturing — has clearly been important to the success of the Mondragón firms. We cannot expect such a fully integrated organizational system to develop in the United States, and yet past research and experience suggest that the cooperative industrial firm existing as an island in a sea of private industry and commerce has poor prospects for long-run success. Therefore, those who seek to apply Mondragón lessons to the development of industrial producers' cooperatives in the United States would be wise to examine the possibility of building some of the supporting and collaborating organizations that may be essential to the long-run success of the industrial cooperative.



Yet other important lessons can be drawn from the difficulties and partial failures encountered by Mondragón. First, for self-managed organizations, "Small is beautiful," to extend the doctrine propounded by Schumacher for technology. The founders of Mondragón saw expansion in terms of the spinning off of parts of existing firms or

the creation of new ones rather than in the building of giant enterprises. In fact, six new firms have been spun off of Ulgor, although, for reasons beyond the scope of this paper, Ulgor continued to grow, reaching over 3500 members at the time of its most severe labor troubles. In fact, by the end of 1974 more than a quarter of the total membership of all the industrial firms was within Ulgor.

When a firm has only 100 to 200 members — as is the case in most of the firms — everyone knows everyone else, and considerable worker participation in decision making may take place informally. A firm as large as Ulgor, however, has long since passed the limit where informal social processes can offer workers a sense that they are participating in decision making. Leaders of the Mondragón system are currently still struggling with the task of creating a formal system for promoting large-scale participatory democracy.

Second, there is an inherent contradiction of industrial work and one-worker-one-vote governance of the industrial firm. This contradiction was not recognized in the early years of the Mondragón system. The founders of Ulgor believed that in order to compete they had to adopt "modern" methods of management, a theory that led them to design organizations with assembly lines, work simplification based upon specialization and routinization, close supervision, and so on.

It is only in recent years that the inherent contradiction has become recognized. Now, while they continue to regard the one-worker-one-vote principle as a necessary feature of their system, the policy makers have recognized that a single annual election of the Board of Directors does not give the members a sense of participatory democracy nor does it by itself permit the full development and utilization of human talents and efforts within the work place. As they are now consciously working through the contradictions of Taylorism versus participatory democracy, the policy makers are vigorously experimenting with new forms of work organization, eliminating assembly lines, developing autonomous work groups, and setting up processes of worker

participation in decision making at the shop level.

This process of resolving contradictions was still in its early stages at the time of our field work in 1975, but already one of the firms had made changes in work organization comparable in magnitude and significance with the most advanced work along this line taking place in Scandinavia and elsewhere. The speed of change is impressive testimony to the fact that the leaders of Mondragón are not simply following doctrine laid down for them years ago by a remarkable founder but are building a learning system that facilitates their adaptation to new problems and new conditions.



A paragraph on pg. 16 of We Own It (see review on pg. 10 of this issue) provides a brief update of Mondragón:

The most impressive example of a worker cooperative is Mondragón, begun in the 1950's in the Basque region of Spain. From one small business Mondragón has developed into an integrated system of nearly one hundred firms, employing nearly 20,000 worker-members in high growth and high technology industries. Each worker-member has to invest \$4,000 in the cooperative and that investment is returned to the worker on retirement. Mondragon now has its own bank with nearly one billion dollars in deposits, its own year round training school, cooperative housing, and 100,000 members in its consumer cooperative retail stores. Because of its success, "the Mondragon experiment" (as it's known worldwide) is under study by numerous governments, trade unions and social scientists. It is proof that under certain conditions worker cooperatives can flourish and constitute an important part of the economy.



Goodwill Builds Right Relationships

The following article is from "Techniques of Goodwill" published by World Goodwill, 866 U.N. Plaza, Suite 566-7, New York 10017.

One effect of goodwill is that it reveals cleavages. Today there is widespread recognition of the existing cleavages in political, social economic and religious life everywhere. There are cleavages between individuals, groups and nations. But this revelation of cleavages is accompanied by efforts to heal them. Today this is evident in the activity of thousands of groups and organisations working to pull down the barriers to right human relationships.

Thus in an approach to the problem of cleavage, goodwill manifests in three ways:

1. the revealing of cleavages,
2. the breaking down of barriers and separating walls,
3. the building of bridges to restore right and healthy relationships.

How can we participate in this process of bridging and aid in making these efforts more effective than they are? We may begin with a diagnosis of our own attitude towards goodwill. Do we have goodwill not only toward our fellowmen, but also toward ourselves? Often our efforts are blocked by our own failures and feelings of inadequacy, our all too apparent shortcomings. We can start with attempts at healing our own inner cleavages. An attitude of goodwill towards ourselves can simplify our lives and then enable us to set an example by expressing this goodwill in relationships, by eliminating cleavages in the home, in business, and between nations.

In building right relationships and healing cleavages we need to recognise another effect of a practised attitude of goodwill: the vision of new alternatives.

Our perception of the world, what we each identify as truth, is determined to a large extent by our values and attitudes. Most people are characterised by what Frank



Goble, of the Thomas Jefferson Research Centre, calls "polarised perception." Polarised perception means the "tendency to confuse a partial truth with the whole truth."

Writing in the Thomas Jefferson Research Centre Newsletter, April 1972, Mr. Goble noted research which shows that the brain is capable of registering a very limited number of independent items of information at the same time. Similar to a radio, the mind tunes out the many different messages it is exposed to, taking them one at a time. Our basic attitudes determine what we filter out from our perception and therefore influence our conception of reality.

It is easy to see, then, how communications can break down between people who each see only one aspect of the situation. Mr. Goble concludes: "The concept of polarised perception helps us to understand why people sometimes disagree so violently about politics, religion, race, economics and so forth. The concept helps you to recognise your own continual tendency to mistake a part of the picture for the entire picture."

Most cleavages result from individuals, groups or nations having opposed fixed ideas. An attitude of goodwill aids the recognition that the differences between

fixed ideas are the result of differences in perception. This recognition gives us a fresh outlook in communication. It opens communication to an inflow of new ideas and a freer exchange among people of diverse viewpoints.

Until now the effect of world public opinion has been felt in times of crisis in response to some single event. This outcry is usually a reaction against some wrong or injustice which has been committed or is about to be committed. As yet there has been no concerted effort to mobilise world public opinion for longer term goals or along positive lines.

The hindrance to such a mobilisation is the absence of a strong tide in the interests of humanity as a whole. Efforts are mostly along the national, cultural or regional lines. Yet the larger interest or concern for the one humanity must be fostered if we are to meet the problems facing us as citizens of one world.

How is world public opinion to be organised along sound lines of goodwill? Some practical steps are possible:

1. look for similarities in problems appearing in two or more nations;
2. find out about solutions that have been offered in other areas — their success or failure;
3. search out those people and groups who spend their energy and money in educating and implementing programs along creative and inclusive lines, rather than attacking the suggestions and personalities of other groups.

A first step in creating a dynamic public opinion is education in the goodwill activity going on in the world. Never before have there been so many groups and organisations striving to meet human need in constructive ways. The trend in human thinking towards a cessation of conflict indicates a great step ahead in human affairs. The procedures for resolving conflict are not yet fully active, but the tremendous aspiration toward harmony is slowly turning people away from separatism and divisiveness and towards the use of the energy of goodwill to build right relationships.

Servas

Travelers' Network

Servas is an international organization which maintains a network of hosts around the world who provide hospitality for travelers. The goals of Servas are to promote peace, human brotherhood and mutual understanding of the cultures, outlooks and problems of the peoples of the world through opportunities to get acquainted with people from many lands.

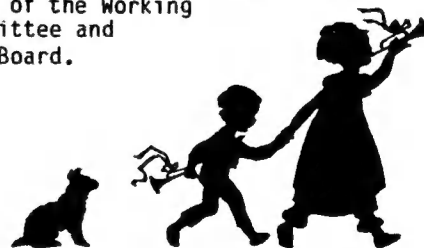
There are currently 1,733 US hosts in all 50 states, but more are always needed. Several states which are particularly low on hosts are: Alabama, Arkansas, Delaware, Idaho, Kentucky, Mississippi, Nevada, North Dakota, Oklahoma, Rhode Island, South Carolina, Utah, West Virginia and Wyoming.

There are two main categories of membership: host and traveler. Travelers pay a \$30 annual membership fee and a \$15 deposit for any and all lists they borrow, which is refunded upon the return of the lists. Travelers are asked to provide two letters of reference; hosts are not. Both require interviews prior to membership.

Hosts are asked but not required to make an annual donation of \$10. They are asked to reregister each fall, making any changes in their listings at that time. The printed host list is derived from that registration; it comes out in the spring.

Hosts who wish to travel abroad pay the same travel fee as other travelers, but US Servas hosts traveling in the US pay a travel fee of only \$5 per family.

The work of Servas is primarily done by volunteer interviewers, coordinators, members of the Working Committee and the Board.



Host coordinators are listed in the host list as persons who might be able to find hosts for travelers who have been unable to make contacts.

A new category of worker, peace contacts, has been created recently. They help with peace action and education in their local areas and provide liaison with the Peace Secretary.

For more information about how to become a member of Servas, write U.S. Servas Committee, Inc., 11 John Street, Room 406, New York, NY 10038.

Book Reviews

by Jane Folmer



MUTUAL AID: A Factor of Evolution by Petr Kropotkin, Porter Sargent Publishers, Inc., 1914, 1982, 362 pp., paper/\$6.95. Available from Community Service for list price plus 75 cents postage.

The 1983 fall harvest of new books offers an exciting array of topics and ideas to peruse during the coming winter months. We are pleased to be able to make some of them available to our NEWSLETTER readers. Write for a free copy of the 1983 Community Service booklist if you have not already received one.

Community Service books seem to fall into two general categories: those that attempt to explain the way the world is and why we ought to change it and those that offer ways to make those changes. One of the classics of the cooperative/community movement and of the "this is the way it is" category is Mutual Aid which was written by the Russian revolutionary, Petr Kropotkin, in 1890 as a result of years of field research with the wildlife of Siberia. The book does not refute Darwin's theory of natural selection as many believe, but it does refute many of the conclusions and assumptions which resulted from Darwin's Origin of the Species. Kropotkin declared that cooperation should be the basis of the social order, not the version of "survival of the fittest" which the laissez faire



economists were using to justify the horrors of the early industrial era.

Mutual Aid offers equally detailed and scientific evidence that it is cooperation, not competition, that determines the survival of a species. Kropotkin made much detailed analysis of the behavior of animals in the natural habitat and found that "though there is an immense amount of warfare and extermination going on amidst various species...there is, at the same time, as much, or perhaps even more, of mutual support, mutual aid and mutual defense amidst animals belonging to the same species, or at least, to the same society."

In addition to being a noted physical geographer and agriculturist, Kropotkin was a lifelong revolutionary and anarchist. All of his studies of the relationships in nature led him to further inquiries into the nature of societies of people.

At one point he summarizes by saying, "All these facts show that a reckless prosecution of personal interests, with no regard to other people's needs, is not the only characteristic of modern life. By the side of this current which so proudly claims leadership in human affairs, we perceive a hard struggle sustained by both the rural and industrial populations in order to re-introduce standing institutions of mutual aid and support;... We discover another extremely wide world of mutual aid and support, which passes unnoticed by most sociologists only because it is limited to the

narrow circle of the family and personal friendship."

He was optimistic at a time when there was heavy evidence to the contrary that "the need of mutual aid and support which had lately taken refuge in the narrow circle of the family, or the slum neighbors, in the village, or the secret union of workers, reasserts itself again, even in our modern society, and claims its rights to be, as it always has been, the chief leader towards further progress."

Mutual Aid was written in response to "Struggle for Existence" by Thomas H. Huxley, which is included in the Appendix. The new edition also has a fine bibliographical foreword by Ashley Montagu.



WE OWN IT: Starting & Managing Coops, Collectives, & Employee Owned Ventures by Peter Jan Honigsberg, Bernard Kameronoff, and Jim Beatty, Bell Springs Publishing, 1982, 165 pp., paper/\$9.00. Available from Community Service for list price plus 10% for postage.

For anyone interested in starting or improving a cooperative business venture of any kind, there is finally a resource tool that gives a complete description of types of coops, including consumer coops, producer coops, and worker coops, and how to operate them.

The authors provide an excellent explanation of legal forms, including corporations and partnerships and how to best make use of the legal and financial structures of each. Sample bylaws and articles of incorporation are given of a retail worker coop, a trucking coop, and a consumer coop. There are also sections on financing a coop, insurance, permits and licenses, and taxes. Finally, there is a state by state listing of cooperative corporation laws and restrictions in easy-to-understand language.

I particularly liked the 8½ X 11" large-print format with photographs and interesting descriptions of working coops, many written by a coop member, which offer a glimpse of real-life problems and successes.¹⁰



THE COMMUNITY LAND TRUST HANDBOOK by The Institute for Community Economics, Rodale Press, 1982, 230 pp., paper/\$9.95. Available from Community Service for list price plus 10% for postage.

"In 1967 Robert Swann and Ralph Borsodi founded the International Independence Institute (which has since become the Institute for Community Economics) as a vehicle for promoting the community land trust idea." In 1972 when they published The Community Land Trust, the subject remained almost entirely theoretical. The Community Land Trust Handbook is ICE's response to the need for an updated report. The CLT concept is still relatively new, but ICE provides nine case studies which offer a variety of possible applications of the CLT in both rural and urban settings.

It was somewhat disturbing not to find an example of a CLT established by an intentional community, but instead the following distinction:

"Some of these communities may be regarded as forerunners of the CLT.... For the most part, however, these communities have been enclaves, or private trusts created by and for groups of people who share a specific philosophical commitment or personal affinity. Their memberships are not open to all members of the larger communities in which they are established, and they are not designed to relate to the various needs and interests of these communities."

Some intentional community members will, no doubt, take issue with this viewpoint. The CLT concept is valid and effective, however, whether the community in question is urban, rural or intentional.

The CLT is "designed to hold in perpetuity the land that it acquires, and to provide secure access to that land for individuals

within the community – particularly for individuals who have previously been denied the access to and the benefits of land."

CLT leaseholders have the same basic security of land use that has been traditionally enjoyed only by landowners, including equity for their own investments and the assurance that not only the property but the leasehold itself may be passed on to their heirs.

Perhaps even more important is the security of land access, equity and legacy provided the community itself by the creation of a community land trust.

"No element of a local economy is more basic than the community's land and natural resource base.... Yet present patterns of landownership and transfer often render land and resources and their economic value unavailable to the communities that occupy them.... The CLT offers a means of preserving community equity. Any increase in the value of the CLT's land is retained and residents need not be displaced by real estate market forces. On the contrary, the increased value of the community equity held by the CLT can be used, judiciously, as collateral to leverage financing for further land acquisitions, to meet the needs of some of those who may be displaced from other community land."

Changes in our ideas regarding the land and its use are being reflected in changes in the legal and financial structures which control it. The community land trust is an effort to ensure "respect for the legitimate interests of both individuals and communities [and to] provide an effective means of balancing these interests."



POSITION OPEN

Celo Community in Burnsville, North Carolina, is in need of a manager for the Celo Press Publishing, a department of Arthur Morgan School. Need experience in book promotion, marketing, financial analysis and typography in addition to general publishing and business management. Write: Celo Press, Route 5, Burnsville, NC 28714.

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CONSULTATION

Community Service makes no set charge for consultation services formal or informal, but can only serve through contributions of its friends and those it helps. For consultation we suggest a minimum contribution equal to that of the consultant's hourly wage for an hour of our time.

DO YOU HAVE A FRIEND?

One of the most helpful ways of supporting Community Service is to send the names and addresses of friends whom you think would be interested in receiving a sample of our NEWSLETTER and a copy of our booklist. If you wish a specific issue sent to a friend, please send 50 cents per name.

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Jane Folmer and Jane Morgan.

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CONTENTS

Mondragón Worker Production Cooperatives	Ana Gutierrez Johnson and William Foote Whyte	1
Goodwill Builds Right Relationships	World Goodwill	7
Servas: Travelers' Network		8
Book Reviews by Jane Folmer		
Mutual Aid by Petr Kropotkin		9
We Own It by Peter Jan Honigsberg, Bernard Kamoroff, Jim Beatty		10
The Community Land Trust Handbook by The Institute for Community Economics		10



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